

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: EINV, CA
SUBJECT: CHANGES IN FIRA REGULATIONS

1. SUMMARY: INDUSTRY, TRADE AND COMMERCE MINISTER
JEAN CHRETIEN ISSUED NEW REGULATIONS ON MARCH 11 FOR
FOREIGN INVESTMENT REVIEW UNDER FIRA. NEW RULES PROVIDE
FOR SHORTENED PROCEDURES FOR TAKEOVERS AND ESTABLISHMENT
OF SMALL BUSINESSES AND ALLOW IMPORTERS TO ESTABLISH
"RELATED BUSINESS" MANUFACTURING OPERATIONS WITHOUT FIRA
REVIEW. END SUMMARY.

2. FOLLOWING PRESS RELEASE ON CHANGES IN REGULATIONS
UNDER FOREIGN INVESTMENT REVIEW ACT WAS ISSUED ON
MARCH 11 BY INDUSTRY, TRADE AND COMMERCE MINISTER JEAN
CHRETIEN:

BEGIN TEXT: THE HONOURABLE JEAN CHRETIEN, TODAY
ANNOUNCED IMPORTANT CHANGES IN THE REGULATIONS GOVERNING
THE PROCEDURES FOR APPLICATION UNDER THE FOREIGN INVEST-
MENT REVIEW ACT. THE MINISTER SAID IT HAS LONG BEEN HIS
GOAL TO MINIMIZE THE ADMINISTRATIVE BURDEN PLACED UPON
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F.I.R.A. APPLICANTS AND TO STREAMLINE THE INTERNAL
PROCESSING WITHIN THE GOVERNMENT.

"THE MAJOR CHANGE," MR. CHRETIEN SAID, "AFFECTS
SMALL INVESTMENTS CONCERNING A TAKE-OVER OR THE ESTABLISH-
MENT OF A NEW BUSINESS INVOLVING LESS THAN \$2 MILLION
IN GROSS ASSETS AND LESS THAN ONE HUNDRED EMPLOYEES."

THE NEW REGULATIONS ALLOW THE SMALL INVESTOR TO GIVE INITIAL NOTICE IN SUMMARY FORM. THE MINISTER WILL THEN EXAMINE THE SUMMARY PROPOSAL AND DECIDE WHETHER HE HAS SUFFICIENT INFORMATION TO RECOMMEND TO THE GOVERNOR IN COUNCIL THAT THE INVESTMENT BE ALLOWED. THE MINISTER EXPECTS TO PROCESS THE GREAT MAJORITY OF APPLICATIONS WITHIN TEN CLEAR DAYS BUT, IF MORE INFORMATION IS REQUIRED, HE WILL INFORM THE APPLICANT TO THIS EFFECT.

MOST IMPORTANTLY, THESE CHANGES WILL ALLOW THE FOREIGN INVESTMENT REVIEW AGENCY TO DIRECT MORE OF ITS RESOURCES TO THE ASSESSMENT OF LARGER AND MORE COMPLEX INVESTMENTS.

AT THE SAME TIME, MR. CHRETIEN ANNOUNCED THE FIRST AMENDMENT TO THE PREVIOUSLY-ISSUED "GUIDELINES CONCERNING RELATED BUSINESS". THE AMENDMENT RECOGNIZES THAT THERE MAY OFTEN BE RELATEDNESS BETWEEN AN ESTABLISHED BUSINESS IN CANADA WHICH IS ENGAGED IN THE IMPORTATION AND DISTRIBUTION OF PROPRIETARY PRODUCTS MANUFACTURED ABROAD BY AN AFFILIATE AND THE ESTABLISHMENT BY THE SAME PERSON OR PERSONS OF A NEW BUSINESS TO ASSEMBLE OR MANUFACTURE THOSE PRODUCTS IN CANADA. WHERE A NEW BUSINESS IS OR WOULD BE RELATED TO AN ESTABLISHED BUSINESS CARRIED ON BY THAT SAME PERSON IN CANADA THE ESTABLISHMENT OF THE NEW BUSINESS IS NOT REVIEWABLE UNDER THE FOREIGN INVESTMENT REVIEW ACT. END TEXT.

3. COMMENT: CHRETIEN HAS BEEN PROMISING TO CUT
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BUREAUCRATIC PROCEDURES ASSOCIATED WITH FIRA SINCE HE BECAME MINISTER RESPONSIBLE. ONE OF CHIEF CRITICISMS DIRECTED AT AGENCY WAS TIME INVOLVED IN PROCESSING APPLICATIONS, EVEN FOR ACQUISITIONS OF SMALL BUSINESSES. UNDER NEW REGULATIONS, PROPOSALS FOR TAKEOVERS OR ESTABLISHMENT OF NEW SMALL BUSINESSES ARE EXPECTED TO BE PROCESSED IN 10 WORKING DAYS RATHER THAN TWO TO THREE MONTHS, UNDER PREVIOUS RULES.

4. SECOND CHANGE IN REGULATIONS PERMITS EXISTING FOREIGN BUSINESSES ENGAGED IN DISTRIBUTION OF IMPORTED PRODUCTS TO ESTABLISH MANUFACTURING FACILITIES IN CANADA WITHOUT GOING THROUGH FIRA REVIEW PROCESS. NEW REGULATION BROADENS SCOPE OF "RELATED BUSINESS" EXEMPTION AND IS CLEAR SIGNAL TO IMPORTERS THAT GOC DESIRES MORE MANUFACTURING INVESTMENT EVEN IF FOREIGN CONTROLLED. ENDERS

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Disposition Event:
Disposition History: n/a
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